East-west air freight rates hit a new low, but US military makes up the numbers

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Military activity a welcome bonus for carriers like Atlas

As Drewry reports that air freight rates have fallen to their lowest-ever level on east-west tradelanes, comes a ray of hope for some carriers.

Last week's news that Atlas Air had taken a 747-400BCF out of retirement was, according to media reports, due to increased US military activity in Europe.

The *Flight Aware* website confirmed that Atlas has operated at least two military flights by CRAF-registered aircraft recently. Yesterday a 747-400F left McGuire Air Force base in New Jersey for US and NATO camp Ramstein Air Base, in Germany. And on Friday, a flight left Dover Air Force Base in Delaware to go to Frankfurt Hahn, one of several flights the carrier has made over the past few days to the German city.

And *The New York Times* reported this month that the US was poised to place military equipment – including tanks and other weapons – for 5,000 troops in the Baltic states and eastern European countries, including Poland, Romania and Bulgaria.

It would explain Atlas's bullish fleet plans and indications of increased charter activity.

Atlas has traditionally been a key carrier for military lift under the Civil Reserve Air Fleet programme, and has added passenger charters to its business to carry troops. In April this year, its monthly allocation was for 19 aircraft, while its subsidiary, Polar Air Cargo, had nine, making it the second largest freighter operator for CRAF, after FedEx. Kalitta Air has 12 aircraft registered with CRAF, while Southern Air, interestingly, is no longer a CRAF carrier.

But as US military budgets have declined, Atlas has built up new businesses to diversify its revenues, a strategy which has been successful. This new push to give NATO a show of strength in the face of deteriorating relations with Russia will no doubt come as a pleasant benefit for Atlas and other CRAF carriers.

But while the news may be good for US freighter operators, the general air cargo market is not looking so rosy. *Drewry Sea & Air Shipper Insight* reported this morning that its air freight price index had fallen 3.4 points to 89.8 – its lowest level since the index was launched in May 2012, and the first time it has fallen to less than \$3 per kg. For May, the index read \$2.91, against \$3.22 a year earlier.

It stated: "Compared with the same month last year, the index was 12 points adrift, reinforcing the view of emerging market weakness precipitated by slowing demand growth and excess capacity.

"Drewry expects air freight pricing to remain weak over the next few months, as carriers release additional passenger capacity to cope with the northern hemisphere summer holiday season."

As several carriers have told *The Loadstar*, the next few months are looking extremely tough.